# ANNUAL REPORT

for the fiscal year

ended 31 March 1983

85-1532/

Alberta
CONSUMER AND CORPORATE AFFAIRS

Office of the Minister

402 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2305

The Honourable G. Amerongen
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the honour to submit the annual report prepared by the Chairman of the Alberta Securities Commission for the year ending March 31, 1983.

Respectfully submitted,

Constantine E. Osterman

CONSTANTINE E. OSTERMAN
Minister of Consumer and Corporate Affairs

Alberta
SECURITIES COMMISSION

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The Honourable Connie Osterman
Minister of Consumer & Corporate Affairs

Madam:

I have the honour to submit the Annual Report of the Alberta Securities Commission for the year ending March 31, 1983.

Respectfully submitted,

W. T. Pidruchney, Q.C.
Chairman
Alberta Securities Commission

# THE ALBERTA SECURITIES COMMISSION
# ANNUAL REPORT 1982/83

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## Summary

The objective of the Alberta Securities Commission is to regulate investment activity in the capital markets of the province by administering the Securities Act in the public interest and especially in the interest of investors.

1982/83 was the first full year of operation under the new Securities Act S.A. 1981 chapter S-6.1 which was proclaimed on 1 February 1982.

Activity levels in the Commission remained high as the greater filing requirements of the new act were implemented, (see Appendix 2). The downturn in the Canadian economy caused a small reduction in prospectus filings, but caused an increase in enforcement activity, including the receipt and investigation of complaints, commencement and conduct of disciplinary proceedings and in Commission hearings.

The Commission participates as an active and important member of the Canadian Securities Administrators, which group consists of all of the provincial and territorial securities regulators in Canada. This group assures compatibility or uniformity of regulation across Canada to provide an efficient national capital markets system.

The Commission maintains a close contact and a good working relationship with the Alberta Stock Exchange which comes within the regulatory system of the Securities Act. The Alberta District Council of the Investment Dealers Association of Canada provides excellent communication and cooperation between its members and the Commission.

The Commission is a member of the North American Securities Administrators Association which provides a window on all securities activities in the United States of America and Mexico.

Alberta is the only regulator of franchise investment in Canada. Other provinces are considering franchise legislation.

The Canadian Institute of Chartered Accountants continues to give invaluable assistance to securities regulators across Canada. This contribution, and the assistance of the Institute of Chartered Accountants of Alberta is recognized by the Commission.

The Alberta Branch of the Canadian Bar Association has recognized sub-committees of securities lawyers formed in Calgary and in Edmonton. These groups are of enormous assistance to the Commission on a voluntary basis.

The Commission acknowledges the support of Mr. J. B. Martin, Deputy Minister of Consumer and Corporate Affairs and of his staff, who provide support service to the Commission.

## Purpose and Structure

The Alberta Securities Commission protects investors by regulating both the sale of the investments and the sales people. Basically, this protection is achieved by requiring full, true and plain disclosure about all material aspects of an investment and by ensuring that only knowledgeable and responsible people sell securities and other investments. The Commission has legislative authority for the administration of The Securities Act, The Franchises Act, and The Deposits Regulation Act.

The Alberta Securities Commission consists of a full-time Chairman and three part-time members. William T. Pidruchney, Q.C. is the Chairman and Douglas R. Craig, P. Eng., Robert G. Donlevy and Edward B. Allan, F.C.A. are part-time public members of the Commission.

The Commission makes policy and acts as a quasi-judicial tribunal when required. The Commission also initiates investigations and acts as an appeal body to which members of the public can appeal a staff decision or ruling.

The Commission currently has 56 staff positions, which are organized into four sections: securities, franchises, registration/administration and enforcement (see Appendix 1). The majority of staff are located in Edmonton, with four investigators and two secretaries staffing the Commission office in Calgary.

## The Securities Act

The definition of securities is very broad, but the more common forms are stocks, bonds, debentures and notes. It may also include the sale of partnership interests, investment contracts and tax shelters of various types. The main purpose of The Securities Act is to require issuers of securities to provide to members of the investing public who trade in securities, all material information relating to the issuer and the securities being offered in order that investors may make an informed business judgment when purchasing new securities. The Commission oversees the operations of the staff and is available for appeals, decisions and rulings. The division of responsibility breaks down in the following fashion:

### *A) Securities*

Before an issuer is allowed to sell securities from its treasury to the public, written information must be presented to the purchaser prior to the actual sale. This material can take several forms. The most popular forms are prospectuses, statements of material facts, syndicate agreements and rights offerings.

The Commission's securities section examines these offering documents in order to check that the issuer has complied with the legislation and regulations. It checks that the information being presented to potential investors provides full, true and plain disclosure about the issuer and its activities. Only after the Commission's securities staff have completed a review and the offering documents have been accepted for filing, are new securities allowed to be sold to the public.

Subsequent to filing a prospectus or other documents related to the sale of securities, an issuer must provide the security holders with annual reports, notice of annual meetings and regular financial statements. Corporate insiders must report to the Commission all trades they make which involve their own personal company's shares. Total securities prospectus filings fell in 1982/83 from the previous year.

### *B) Registrations*

In general, registration is required before securities are traded with the public, whether the securities be in the form of common stock, mutual fund shares, bonds, debentures, term certificates or notes.

Through the registration of a company and its officers, directors and salesmen, the Commission strives to allow only trustworthy and knowledgeable individuals to deal with the public. Corporate registrants must at all times meet financial standards set by the Commission. In some cases companies and/or individuals must obtain bonding.

The two broad categories of registration are dealers and advisers. Dealers buy and sell securities as principals and agents, while advisers offer advice and/or manage investments. Seven new dealers were registered in 1982/83. Not only do these new firms add to Alberta's importance as a financial center, but they offer Alberta investors alternatives in their selections of investments and markets.

There were seven new registrations of security issuers in 1982/83. This category is similar to a dealer registration but is usually granted for the purpose of selling one specific issue for a limited period of time. Six investment counsel were also registered in 1982/83.

The total number of salesmen registered under The Securities Act at year-end increased approximately 8 percent from the previous year-end.

The Commission staff are regularly monitoring dealers who are not members of a self-regulatory organization recognized by the Commission to ensure the registrants maintain the required net free capital and prudent business practices. This function serves as a preventive measure as well as assisting in related enforcement matters.

### *C) Enforcement*

With a staff of eight investigators divided evenly between the Calgary and Edmonton offices of the Commission, the Enforcement Section plays a varied and important role in the overall operations of the Commission. Headed by a Deputy Director who is a lawyer and complemented by four support staff, the Section undertakes preventative policing procedures, initiates investigations and reviews, whether upon public complaint or upon internal selective review, and ultimately enters into formal enforcement proceedings, whether before the Commission or before the Courts of Law.

1. Investigations

The section expended some 10,600 combined manhours on investigations as a result of some 274 matters referred to it which required some degree of investigation. This is exclusive of the 2,300 inquiries which the section also responded to but which did not necessitate any follow-up action. The volume of such general inquiries reflects a significant public service role which is carried out by the Enforcement staff.

A preventive policing program exists whereby fitness and/or suitability checks are conducted by the Enforcement section. In the past year, some 84 separate sets of checks of background of directors and officers of applicant companies were made. In connection with discretionary applications made by applicants to the Commission, the Enforcement staff conducted 144 preliminary reviews. As well, the staff examined some 35 new listings on the Alberta Stock Exchange as a means of complementing the Exchange's review efforts.

2. Administrative Enforcement Proceedings

2.1 Cease Trading Orders

The Enforcement section will often initiate a cease trading order or initiate proceedings to obtain such an order. The effect of such order is to prohibit trading or selling of securities on the listed market or on the over-the-counter market in the Province. This is a particularly timely remedy considering the volatility of price and volume which might be affected by unexpected or unexplained increases or decreases thereof. A total of 57 such orders were issued during the past year, a large majority of which were for financial delinquency by reporting issuer companies which had failed to send to its security holders certain statutory financial statements. In conjunction with the Alberta Stock Exchange, this type of enforcement proceeding may halt trading on the listed market in order to permit equal dissemination of material information to the public. Considering that the Alberta Stock Exchange during the 1982 calendar year had a trading volume of over 126,000,000 shares for a dollar value of about $120,000,000, the cease trading power must be exercised judiciously and upon balancing the interests of the shareholders of the affected company and the need for investor protection.

### 2.2 Hearings

The Commission is normally required to hold a hearing before any administrative sanctions are imposed, whether upon persons or companies registered with the Commission or upon non-registrants. In respect of registered parties, the Commission conducted five fitness hearings to determine whether impugned registrants should continue to hold licence because of allegations of misconduct. Such fitness hearings are usually open to the public except in those cases where the Commission orders that it be held in camera.

As well, the Commission conducted eight hearings to determine whether non-registrants should have the exemptions in the Securities Act denied to them by reason of misconduct or violation of the statute. The purpose of this proceeding is to deny the individual access to the public market by taking away certain statutory rights to trade in securities. Where statutory trading rights are denied, the affected party risks a general contravention of the statute should he engage in any trading activities during the currency of the order.

## 3. Prosecutions

Violations of the Securities Act and the Franchises Act can entail significant quasi-criminal liability. Enforcement action by way of prosecution in the Provincial Courts of Alberta are usually reserved for extreme cases where the parties have knowingly violated the registration and the prospectus filing requirements of both statutes. In the past reporting year, the Commission conducted six prosecutions under the Securities Act and three prosecutions under the Franchises Act.

Each prosecution often entails more than one count, and in some cases the facts gave rise to additional prosecution under the Criminal Code of Canada because of criminal violation. Significantly, the following cases of public record are worthy of mention. In the matter of **Beau Rand Holdings Ltd.** and its principals **Garnet Randolph** and **Clement Beauchamp**, the accused were found guilty on charges involving failure to register as securities salesmen and failure to file a prospectus in respect of securities which had been distributed to numerous investors in and about the Edmonton area. The police pressed separate criminal charges. In the case of **Factotum Holdings & Development Ltd.** and its principal **Donald Francis Finley**, prosecution was undertaken in respect of this Fort McMurray and area issuer which had violated the registration and prospectus provisions of the Securities Act, resulting in a fine of $50.00 against the company on each of two counts while the individual was fined $1,500.00 on each of two counts. **Metropolitan Realty Ltd.** was fined $2,500.00 on each of two charges for issuance of real estate-based securities in the Bonnyville/St. Paul area of the Province: numerous investment syndicates had been set up by the issuer and were fueled by speculation on capital appreciation of these lands which were contiguous to rumoured major oil development projects. Finally, the Alberta Court of Appeal was invited to rule upon the nature of liability in the Securities Act involving the case of **Kenneth MacDonald**. However, the Court declined to opine whether the Act was one of strict liability or of absolute liability, but confirmed on other grounds Mr. MacDonald's conviction for selling securities while unregistered with the Commission.

## 4. Enforcement Liaison

The Enforcement section of necessity must maintain a close working relationship with other securities regulatory bodies, with the Stock Exchanges, and with police forces. A free and candid exchange of information between these agencies and the Commission assures our continued effectiveness.

A conscious effort is made to provide continuous education to securities investigators and in that respect the Commission nominated four investigators to attend a formal Securities Investigator's Course in Barrie, Ontario. A program of in-house visitation to

participating brokerage houses provides some insight to the investigators as to operations and personalities in the industry: we think that this type of contact has mutual benefits. Investigators have also attended two educational and enforcement seminars for self-improvement and information sharing. The Deputy Director, Enforcement, continues to represent the Alberta Securities Commission in the North American Securities Administrators Association Inc., an international body of securities administrators comprising Canada, the United States, and Mexico.

### *D) The Commission*

During the year, 832 orders and rulings were made, up 11 percent from the previous year. The Commission meets regularly every two weeks, with meetings alternating between the Edmonton and Calgary offices.

## The Franchises Act

The purpose of the Franchises Act is to provide the franchise investor information with respect to the franchisor and the proposed franchise business in order that the investor can make an informed investment decision. Like the Securities Act, the companies selling franchises and the salesmen marketing the franchises are required to register and file a disclosure document. The document, either a prospectus or statement of material facts, is reviewed by the Commission staff to ensure full, true and plain disclosure.

Filings received for registration, exemption and amendments in the 1982/83 year decreased 1 percent over those received in the 1981/82 year. Salesmen's registrations received in 1982/83 decreased 7 percent over those received in 1981/82 year.

The Franchises Act was proclaimed to be in effect on November 16, 1972 and is gradually becoming better known to the public. The Commission has offered advice to officials of other jurisdictions now contemplating the introduction of franchise legislation and to assist in uniformity among the provinces. This advice, together with the education of the public in the franchise area, requires a significant effort by the franchise staff.

## The Deposits Regulation Act

This Act regulates the solicitation of deposits from the public in certain stated circumstances by persons or organizations which are not otherwise regulated. There was no activity under this act.

# ALBERTA POLICY NO. 3-23

# THE PROMPT OFFERING QUALIFICATION SYSTEM

## 1. Introduction and Purpose

1.1 The current system of distributing additional securities of reporting issuers by a prospectus in Canada is one which requires repetition, in certain circumstances, of information concerning the issuer which has already been published and disseminated into the public trading markets. A reporting issuer is required to file with provincial and territorial securities commissions and administrators (the "Commissions" or individually a "Commission") on a timely basis material information concerning its business and affairs in accordance with the statutory continuous disclosure requirements of the various provincial and territorial securities acts and related investor disclosure legislation (referred to individually as the "Act") and the bylaws of the stock exchange on which its shares are listed and posted for trading. This integrated and continuous disclosure system for reporting issuers provides a permanent disclosure record which comprises, in part, audited annual and unaudited interim financial statements, press releases, material change reports and proxy solicitation and information circular material. The public information disclosed through these continuous reporting requirements is available not only to security holders of the reporting issuers but is also available to investments dealers, brokers, research analysts, investment advisors and other users of financial information who are in a position to assess and filter such information for the benefit of investors generally. When such a reporting issuer subject to the continuous disclosure requirements desires to make a public offering of new securities pursuant to a prospectus on a national basis, it must currently file a prospectus which includes, not only the information with respect to the securities proposed to be issued, but also the previously published information concerning the issuer and its business and affairs.

1.2 The proposed prompt qualification system for the distribution of securities of senior reporting issuers is designed to shorten the time period and to streamline the procedures by which such issuers may have access to the Canadian capital markets through a prospectus offering without reducing the existing benefits of investor protection nor the degree and quality of disclosure to the public and without increasing demands placed upon the personnel at the various Commissions.

1.3 The essence of the proposed prompt qualification system is to integrate the offering document with previously published issuer-oriented information concerning the eligible senior reporting issuer that has already been made available to the public trading markets. This integration is to be achieved by incorporating such public information by reference into a short form prospectus at the time of the distribution of a specific issue of additional securities by or on behalf of the issuer for cash.

## 2. Eligible Reporting Issuers

2.1 To be eligible to make use of the prompt offering qualification system for the distribution by or on behalf of an issuer of any of its securities for cash by means of a short form prospectus in accordance with this policy, an issuer must satisfy the following criteria:

2.1.1 the issuer must have been

2.1.1.1 subject to the requirements of Parts 10 and 12 of the Securities Act of Alberta (R.S.A. 1980, c.S-6.1, as amended), and

2.1.1.2 a reporting issuer under the Act, in the aggregate for at least 36 calendar months prior to the date of the filing of its annual information form and at the time of each such filing not then be in default of any requirement of the Act;

2.1.2 the reporting issuer must file an annual information form with the Commission director or securities administrator (referred to as the "director") under each Act and thereafter a new annual information form in accordance with the requirements set forth in section 5;

2.1.3 the reporting issuer must not be in default of any requirement of the Act or the regulations at the time of the filing of the preliminary short form prospectus or the issuance of the receipt for the short form prospectus;

2.1.4 the reporting issuer must have an aggregate market value of common shares and, if applicable, non-voting equity shares and subordinate or restricted voting equity shares, but excluding preferred shares, (such common shares and equity shares being collectively referred to as "equity shares") listed and posted for trading on a stock exchange in Canada held by "non-insider" security holders of the issuer of $100,000,000 or more, calculated in accordance with section 2.2, during the last calendar month of the issuer's most recently completed financial year; and

2.1.5 the reporting issuer and its consolidated subsidiaries must have either (i) consolidated shareholders' equity attributable to its issued equity shares of $100,000,000 or more as at the end of its most recently completed financial year, or (ii) the issuer and its consolidated subsidiaries must have net income after tax of $15,000,000 or more for two of the last three immediately preceding financial years of the issuer.

## 3. Alternative Qualification Criteria for Certain Issues of Debt Securities and Preferred Shares

3.1 There will be reporting issuers which meet the eligibility criteria set forth in section 2.1 other than clauses 2.1.4 or 2.1.5, or both of them, and who are issuers of high quality non-convertible debt securities or non-convertible preferred shares. Such a reporting issuer may qualify to use the short form prospectus system to distribute its non-convertible debt securities or nonconvertible preferred shares in accordance with this policy where the issuer satisfies the criteria set forth in clauses 2.1.1, 2.1.2 and 2.1.3 provided that:

3.1.1 at the time of the filing of the issuer's annual information form, the issuer had nonconvertible debt securities or non-convertible preferred shares issued and outstanding which, at that time, at least one of the statistical rating organizations had rated in one of the generic rating categories applicable to debt securities or preferred shares, as the case may be, set opposite the Rating Organization's name (an "Approved Rating"); and

3.1.2 at the time of the filing of the preliminary short form prospectus with respect to a proposed distribution of non-convertible debt securities or non-convertible preferred shares by or on behalf of the issuer, the securities proposed to be issued had received an Approved Rating, on a provisional basis, by at least one Rating Organization.

## 4. Amalgamations, Mergers and Reorganizations

4.1 A reporting issuer continuing from an amalgamation, merger or other form of reorganization may qualify its securities for distribution under a short form prospectus in accordance with this policy and, in such a case, the following provisions shall also be applicable:

4.1.1 at least one of the amalgamating, merging or reorganizing issuers shall have satisfied the provisions of clause 2.1.1 for at least 36 calendar months prior to the amalgamation, merger or reorganization and none of such issuers shall be in default of any requirement of the Act or the regulations at the time thereof, and the reporting issuer continuing from the amalgamation, merger or reorganization shall be considered, for the purposes of clause 2.1.1, to have been a reporting issuer under the Act for 36 calendar months; and

4.1.2 at least one of the amalgamating, merging or reorganizing issuers shall have been a reporting issuer that satisfied the eligibility criteria of clauses 2.1.4 and 2.1.5 prior to the amalgamation, merger or reorganization, and the reporting issuer continuing from the amalgamation, merger or reorganization shall be considered to satisfy the requirements of clauses 2.1.4 and 2.1.5, respectively, where:

4.1.1.1 such continuing reporting issuer meets the requirements of clause 2.1.4 on the basis of the arithmetic average of the closing prices of its issued and outstanding equity shares for the 10 trading days prior to the filing of its annual information form pursuant to section 4.2; and

4.1.1.2 such continuing reporting issuer meets the requirements of clause 2.1.5 on the basis of pro forma consolidated and combined financial statements of the amalgamating, merging or reorganizing issuers and their respective consolidated subsidiaries giving effect to the amalgamation, merger or reorganization.

4.2 A reporting issuer continuing from an amalgamation, merger or other form or reorganization must file an annual information form under clause 2.1.2, which shall be subject to the review and acceptance for filing procedures of section 5.4, notwithstanding that one or all of the amalgamating, merging or reorganizing issuers may have previously filed an annual information form or forms.

5. **Annual Information Form**

5.1 A reporting issuer satisfying the appropriate eligibility criteria set forth in sections 2.1 or 3.1 may, subject to section 5.6, file with the director an annual information form. In order to comply with the requirements of clause 2.1.2, a reporting issuer that files an annual information form must thereafter file with the director a new annual information form prepared and certified in accordance with Appendix A within 140 days from the end of each financial year of the reporting issuer.

5.2 An annual information form filed with the director by a reporting issuer shall be accompanied by a certificate executed on behalf of the reporting issuer by two senior officers of the reporting issuer under seal that the reporting issuer satisfies the criteria of clause 2.1.1 and either clauses 2.1.4 and 2.1.5 or clause 3.1.1, as the case may be, at the time of filing of such form.

5.3 The annual information form shall also be accompanied by an undertaking of the reporting issuer to the Commission to provide to any person or company, upon request to the secretary of the reporting issuer:

5.3.1 when the reporting issuer is in the course of a distribution of its securities pursuant to a short form prospectus or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities,

5.3.1.1 one copy of the latest annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference, filed with the director under this policy;

5.3.1.2 one copy of the comparative financial statements of the reporting issuer filed under the Act for the issuer's most recently completed financial year in respect of which such financial statements have been issued, together with the report of the auditor thereon;

5.3.1.3 one copy of the information circular of the reporting issuer filed under the Act in respect of the most recent annual meeting of shareholders of the reporting issuer which involved the election of directors; and

5.3.1.4 one copy of any other reports filed pursuant to the Act which are incorporated by reference into the preliminary short form prospectus or the short form prospectus; or

5.3.2 at any other time, the documents referred to in clauses 5.3.1.1, 5.3.1.2 and 5.3.1.3 above, providing that the reporting issuer may require the payment of a reasonable charge from such a person or company who is not a security holder of the reporting issuer where the documents are furnished under clause 5.3.2 above.

5.4 The first annual information form submitted by a reporting issuer to the Commission for filing under this policy shall be subject to acceptance for filing by the director with such amendments or additions thereto, if any, that the director considers necessary in order to comply with the requirements. Where a director has not informed the reporting issuer in writing within ten business days of the receipt of the first annual information form by the director that such annual information form does not comply with the requirements, the annual information form submitted by the reporting issuer shall conclusively be deemed to comply with such requirements for the purposes of this policy.

5.5 The director may require that a new annual information form that may be filed subsequently by a reporting issuer under section 5.1 shall be subject to the review and acceptance for filing procedures of section 5.4 provided that the director so advises the reporting issuer in writing within 30 days following the end of its financial year. Where the director has not so notified a reporting issuer, the next annual information form of the reporting issuer that is filed under section 5.1 shall not be subject to the review and acceptance for filing procedures of section 5.4.

5.6 A reporting issuer may file in lieu of an annual information form a document containing either of:

5.6.1 A current Form 10-K accepted for filing by the Securities and Exchange Commission of the United States of America under the Securities Exchange Act of 1934, or

5.6.2 a prospectus for which a receipt has been obtained from the director within the previous 12 months,

provided that the document includes

5.6.3 a certificate in the form required by Item 10 of Appendix A;

5.6.4 the additional material referred to in Appendix A that is not included in the Form 10-K or prospectus; and

5.6.5 cross-references between the items required to be addressed in Appendix A and their treatment in the Form 10-K or prospectus,

and all provisions of this policy relating to an annual information form shall apply mutatis mutandis to such document.

## 6. Short Form Prospectus

6.1 A reporting issuer that has satisfied the provisions of this policy may file with the director a preliminary short form prospectus and a short form prospectus in respect of a distribution of its securities proposed to be offered for cash by or on behalf of the issuer.

6.2 Every preliminary short form prospectus shall have printed in red ink on the outside front cover page the following statement or such variation thereof as the director may permit:

> "This is a preliminary short form prospectus relating to these securities, a copy of which has been filed with (insert name of provinces and territories in which the preliminary short form prospectus has been filed) but which has not yet become final for the purpose of a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold to, nor may offers to buy be accepted from, residents of such jurisdictions prior to the time a receipt for the final short form prospectus is obtained from the appropriate securities commission or other regulatory authority."

6.3 Where any solicitor, auditor, accountant, engineer, appraiser or any other person or company whose profession gives authority to a statement made by him is named in a document specifically incorporated by reference in the short form prospectus as having prepared or certified any part of the document specifically incorporated by reference in the short form prospectus, or is named as having prepared or certified a report or valuation used in a document specifically incorporated by reference in the short form prospectus, the written consent of the person or company to being so named and to such use of the report or valuation shall be filed not later than the time the short form prospectus is filed.

6.4 Where a preliminary short form prospectus is filed in respect of a proposed distribution of preferred shares or debt securities having a term to maturity in excess of one year, the reporting issuer shall file with the preliminary short form prospectus an explanation of the manner by which the statements of asset coverage and earnings coverage are to be calculated.

6.5 At the time of the filing of a preliminary short form prospectus under this policy, the issuer shall file with the Director of the Ontario Securities Commission, for statistical and informational purposes, a certificate signed by an officer of the issuer setting out the aggregate market value of the issuer's issued and outstanding equity shares (a) during the last calendar month of the issuer's most recently completed financial year, and (b) as at a specific date within 30 days prior to the filing of the preliminary short form prospectus, in each case calculated in accordance with the applicable provisions of section 2.2. The information so obtained by the Director of the Ontario Securities Commission will be provided to the CSA annually.

6.6 Any statement contained in a document incorporated or deemed to be incorporated by reference in the short form prospectus shall be deemed to be modified or superseded for purposes of the short form prospectus to the extent that a statement contained in the short form prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference modifies or replaces such statement. The modifying or superseding statement may, but need not, state that it has modified or superseded a prior statement or include any other information set forth in the document which is not so modified or superseded. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation or an untrue statement of a material fact or an omission to state a material fact necessary to make a statement not misleading. Any statements so modified shall not be deemed in its unmodified form to constitute part of the short form prospectus.

6.7 Nothing in this policy shall be construed to provide relief from liability arising under the provisions of the Act of each province in which the short form prospectus is filed where the short form prospectus contains an untrue statement of a material fact or omits to state a material fact that is required to be stated therein or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

## 7. Filing Procedures for Short Form Prospectus

7.1 A preliminary short form prospectus and short form prospectus and supporting material are to be filed pursuant to National Policy No. 1 and the prospectus clearance procedurec referred to therein, except as set out in section 7.2, will be applicable. A reporting issuer that files a preliminary short form prospectus under this policy shall be deemed to consent to the issuance by the director of a receipt for its short form prospectus in accordance with the timing provisions of section 7.2. Where a director exercises his authority under section 2.3 of this policy, the timing provisions of section 7.2 may not be applicable with respect to the filing in his province.

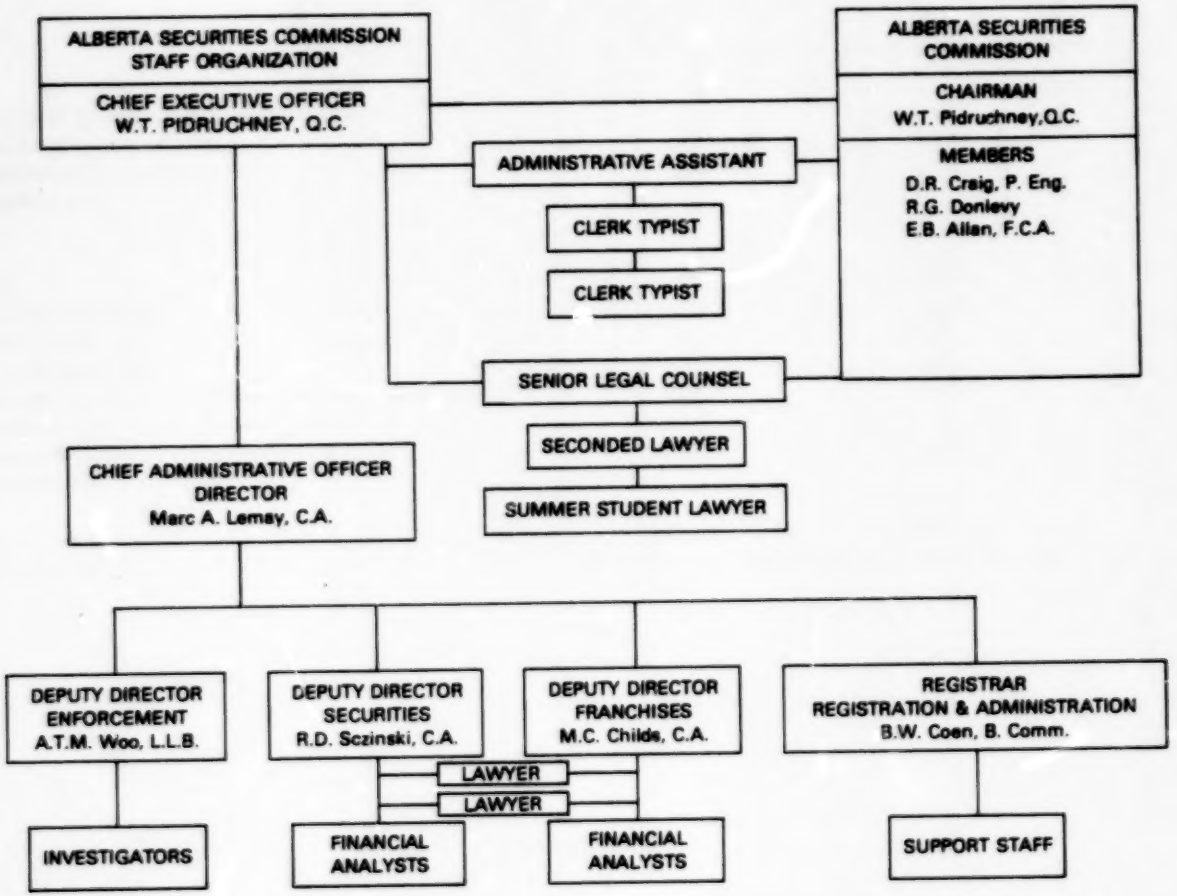
7.2 The principal jurisdiction will provide by telex any comments on the content of the preliminary short form prospectus (but excluding any comments on the material incorporated in the preliminary short form prospectus by reference) to the other Commissions involved, as well as to the reporting issuer making the filing, within the third working day following the filing of the preliminary short form prospectus with the principal jurisdiction. Within two working days from the day of receipt of the comments, if any, from the principal jurisdiction, other

Commissions will furnish the director in the principal jurisdiction by telex with any additional comments they may have on the contents of the preliminary short form prospectus. In the event that the principal jurisdiction receives no comments from any other Commission within such additional two working day period, it will be assumed that such Commission will accept the filing of the short form prospectus in final form.

# APPENDICES

## APPENDIX 1

## ALBERTA SECURITIES COMMISSION ORGANIZATION CHART



## APPENDIX 2

| Description of Classifications | Applications Received 1981/82 | Applications Received 1982/83 | Percentage Change |
|---|---|---|---|
| **Securities Act** | | | |
| Dealer Registrations and Amendments | 381 | 346 | -9% |
| Salesmen's Registrations and Transfers | 1,312 | 1,411 | 8% |
| Preliminary Prospectuses and Renewal Prospectuses | 433 | 347 | -19% |
| Final Prospectuses | 296 | 347 | 17% |
| Sundry Filings | 747 | 1,063 | 42% |
| Orders and Rulings | 752 | 832 | 11% |
| Escrow | 53 | 55 | 3% |
| **Franchises Act** | | | |
| Prospectuses H-1, H-2 | 124 | 105 | -15% |
| Salesmen's Registrations | 157 | 146 | -7% |
| Exemptions (Statement of Material Facts) | 59 | 63 | 7% |
| TOTAL | 4,314 | 4,715 | 9% |

## APPENDIX 3

## POLICIES AMENDED OR IMPLEMENTED DURING 1982/83

1. **National Policy #34 (New):**

   **Unincorporated Issuers: Requirement to Maintain a Register of Security Holders**

   This new policy requires issuers that wish to make a distribution pursuant to the Securities Act to maintain a register of their security holders.

2. **A.S.C. Policy #3-14 (Amendment):**

   **Section 116 Applications**

   This policy was revised to show the requirements for a Section 116 application under the 1981 Securities Act.

3. **A.S.C. Policy #3-23 (New):**

   **Prompt Offering Qualification System**

   See expanded report on page 6.

4. **National Policy #2-B (New):**

   **Guide for Engineers & Geologists Submitting Oil & Gas Reports to Canadian Provincial Securities Administrators**

   This policy supplants that portion of present National Policy #2 which deals with oil and gas properties.

5. **A.S.C. Policy #3-24 (New):**

   **Capital Accumulation Plans**

   This policy was adopted to address the handling of a company's remuneration plan for employees if the plan constitutes a "trade" and the interest held by the employee constitutes a "security".